

UPPER MERION TOWNSHIP BOARD OF SUPERVISORS
BUDGET WORKSHOP MEETING
OCTOBER 25, 2012

The Board of Supervisors of Upper Merion Township met for a Budget Workshop Meeting on Thursday, October 25, 2012, in the Township Building. The meeting was called to order at 7:15 p.m.

ROLL CALL:

Supervisors present were: Greg Philips, Greg Waks, Erika Spott, and Carole Kenney. Also present were: Dave Kraynik, Township Manager Designee; Nick Hiriak, Director of Finance; Scott Widenhofer, Director Information Technology Department; Ed O'Brien, Director, Public Works. Supervisor Jenaway was absent.

OPENING REMARKS:

Mr. Dave Kraynik stated for last two weeks budget meetings were held with all the department heads going over budget items line by line. Particular attention was paid to budget submissions as they relate to the Board of Supervisors' goals and objectives for 2013, making sure as many as possible are addressed where appropriate. He noted that Manager's recommendations will be made once everything is done on the operating side and it is determined how much money is left to be allocated to capital.

OVERVIEW OF VARIOUS BUDGETS

Mr. Hiriak provided an overview of the various budgets and categories that are spread throughout the other departments.

With regard to health and accident insurance for 2013, a total of \$379,178 is spread throughout each department's budget which considers the number of employees in each department and their insurance class (single, family, etc.) There will be fluctuations in the budget, with percentage changes up and down which is mainly due to employees changing class during the year.

A brief discussion followed wherein different examples were provided for various situations triggering a change in classification and fluctuations.

Mr. Hiriak stated rates overall for health went up about 6.7% from 2012 to 2013. He explained that this is a blended rate since it includes the health carrier up 6.3%, prescription rate up 11.5% and dental rate up 2%. Health insurance costs are far less with Delaware Valley Insurance Trust (DVIT) since definite monthly costs are now known as opposed to AmeriHealth which was based on claims paid and present during the month. These rates will not change for the entire year.

Mr. Kraynik pointed out currently there are about 105 member municipalities in DVIT. The Trust itself negotiates with Aetna and dental companies, but the Trust sets the rates for each member municipality.

A discussion ensued wherein an explanation was provided on how DVIT works and their design plans tailored to provide coverage for each municipality.

With regard to Workers Compensation Insurance, Mr. Hiriak stated each year through the management of DVIT a Rate Stabilization Figure (RSF) is provided that can be used to apply to the premium that reduces costs. In addition, credits are provided for Trust members.

A discussion followed wherein the RSF was explained in greater detail as well as the State Workers Insurance Fund (SWIFT).

Mr. Hiriak discussed the liability and property insurance pool. He stated the property pool is up 4% and the liability pool is up 5%. He noted that the property pool insurance premium went up in 2012 by about \$15,000 just with the acquisition of 431 W. Valley Forge Road and that is factored into 2013's budget. The crime insurance policy is up about 2 ½%. There is also a VFIS insurance policy for the Lafayette Ambulance vehicles which is up about 3% as well as 2-year fixed pollution liability and flood insurance which is up about 2%. Total insurance for those entire premiums amount to 4.8%. This number is spread throughout all the budgets. Next year is the last year of the current insurance setup which is on a five-year schedule. A Request for Proposal (RFP) will go out in 2013 shopping for coverage.

With regard to equipment depreciation, Mr. Hiriak explained this money has not been budgeted or deposited in the equipment replacement fund for the last couple years due to budget constraints and this is the first step to have it reinstated. Each department is assessed and he explained the theory behind this approach to fund purchases as we go or save for it over time.

INFORMATION TECHNOLOGY BUDGET

Scott Widenhofer, Director, Information Technology Department, provided an overview of the Information Technology budget. There was not much of a change on the personnel items.

Mr. Philips asked for clarification about the attendance bonus. Mr. Hiriak responded if an employee does not take any sick days during the year the township provides a bonus of three day's pay. For each sick day incident the employee loses one of those three day's pay.

Mr. Waks suggested a more apt name rather than "attendance bonus." Mr. Kraynik responded the next time the personnel manual is updated it could be changed to "wellness benefit."

Mr. Widenhofer indicated operating supplies have gone down.

Mrs. Spott noted \$8,000 last year for operating supplies; however, so far this year only \$3,375 was expended. Mr. Kraynik stated he dropped it down to \$7,000.

Mrs. Spott asked if it could be reduced down more. Mr. Kraynik responded operating supplies were at \$6,539 in 2011 which is why he kept it at 7,000; and he wants to have a three-year history and take another look at that.

Mrs. Spott agrees it would be appropriate to have a couple year history on these items.

Mr. Widenhofer indicated Mr. Hiriak noted it was \$6,100 in 2009, \$3,100 in 2010 and \$6,500 in 2011.

Mr. Philips commented the range would be between \$3,000 and \$6,500.

Mr. Philips asked if supplies are loaded up one year. Mr. Widenhofer responded in the negative and said it is for certain items that are needed.

Mr. Philips asked if it happens every other year. Mr. Widenhofer responded he would have to go back and review.

Mrs. Spott asked how about \$6,300 instead of \$7,000. Mr. Kraynik responded they will take another look at that.

Mr. Widenhofer commented he will take a look at exactly what he bought and what supplies are currently in stock.

Mr. Philips asked for clarification on how the petty cash is handled. Mr. Hiriak responded there is a petty cash box for miscellaneous expenses which are invoiced and paid by check.

Mr. Philips asked if department heads each have a credit card similar to a government card. Mr. Hiriak responded that there are currently six purchasing cards issued to staff: the Township Manager, Township Manager Designee, Police Chief, Director of Park and Recreation, Assistant Township Manager, and Finance Director.

Mrs. Kenney asked for more information about drug testing. Mr. Kraynik responded it is a random testing program the township participates in as part of the Montgomery County Consortium. Before the Consortium had the drug and alcohol testing each community did their own and the costs were higher because the pool was smaller and more people were getting tested.

Mr. Widenhofer discussed telephone charges and the savings of \$20,000

realized when IT took over the phones. Charges went from \$60,000 a year to currently just over \$40,000 a year.

Mr. Philips asked about the telephone service provider. Mr. Widenhofer responded there are two providers. Broadview and XO Communications. He pointed out XO does the eight police lines which cost only \$230 a month. Mr. Widenhofer also commented on internet access provided by Verizon.

Mr. Philips asked if there should be one carrier for phone lines and internet at a cheaper rate. Mr. Widenhofer responded he does not believe so; however, the three-year contract is almost up and IT staff will look into other carrier options for pricing.

Mr. Philips asked about long distance telephone charges, and Mr. Widenhofer responded there is a small monthly fee.

Mr. Philips asked about using voice over IP for long distance. Mr. Widenhofer responded when IT staff looked into this it was determined it would be less expensive to go with actual usage. He said as three-year contracts expire, he will keep abreast of other possible alternatives.

Mrs. Spott noted telephone and equipment charges in 2011 were \$5,000 and asked if it could be taken down a little more. Mr. Kraynik responded he would review the three-year history and take a look at that.

Mr. Hiriak indicated this would be discussed later in this meeting as the Building Maintenance budget comes up since that is where the main telephone cost is. Mr. Kraynik pointed out this is a charge back.

Mr. Widenhofer commented on the reduction of access maintenance from last year which was due to the \$3,000 for the Board of Supervisors computer equipment.

Philips asked about the Iron Mountain expense. Mr. Widenhofer responded that the backup tapes are sent there off site.

Mr. Widenhofer noted the most expensive maintenance is for software since IT does not have rights to the code.

Mr. Kraynik pointed out document management software for \$10,000 is a new charge not experienced in the past.

Mr. Philips asked if Munis maintenance software includes upgrades. Mr. Widenhofer responded in the affirmative.

Mr. Philips followed up by saying he wanted to make sure the next version that comes out would not be purchased as well. Mr. Widenhofer responded that would not happen.

Mr. Widenhofer stated network maintenance has remained even. He noted IT is not expert with firewalls and at times consultants are required.

Mr. Philips asked if there was ever a breach in the system. Mr. Widenhofer responded to his knowledge that has never happened.

Mr. Widenhofer noted the big increase has been for training for VMware (virtual servers).

Mrs. Kenney asked if all four IT staff are getting the same training. Mr. Widenhofer responded in the negative. He said because of the cost probably just one staffer will have the training.

Mr. Philips asked if certification will be provided when course work is completed. Mr. Widenhofer responded in the affirmative.

Mr. Widenhofer explained the increase in the allocation of IT operating expenses for the Library resulted when McLinc stopped supplying all of the computers for the patrons which the Library has now picked up. Because of that change the Library has a different portion to pay.

Mr. Philips was surprised the door locks were in the IT capital budget. Mr. Widenhofer responded IT has the software if locks need to be changed.

Mr. Philips asked for clarification about Priority 8. Mr. Widenhofer responded it is for disaster recovery. If the township building would be lost this would assist with recovery. One option is to research Sunguard to find out costs involved. Another option would be to move some equipment to a place like Trout Run where they have a dual feed from Peco. However, this location might not be far enough away if the area gets hit.

A brief discussion followed wherein some of the supervisors offered suggestions for Mr. Widenhofer to explore.

With regard to the equipment replacement fund projects, Mr. Hiriak pointed out none of the items listed will be recommended for Board approval. He explained these are the items the supervisors will see during the course of the year during meetings when department heads will ask for an equipment replacement adjustment. This is a way to plan for future needs and then justified on a case by case basis as the need arises.

Mr. Widenhofer discussed replacement of network equipment and explained in the past the entire network was replaced in the building at one time; however, it is more cost effective to replace in "bits and pieces" as the need arises.

Mr. Widenhofer discussed miscellaneous projects that will eventually need replacement such as fire suppression upgrades for computer room, building

cameras, etc.

PUBLIC WORKS BUDGETS

Mr. Ed O'Brien, Director, Public Works, discussed various aspects of the Public Works Planning operating budget. Highlights include:

- 11.9% increase from 2012 due mainly to the inclusion of the equipment depreciation charge
- decrease in seminar registrations

Mr. Philips asked, in the case of the community center, if engineering and architectural services come out of the Park and Recreation budget as opposed to Public Works. Mr. Hiriak responded in the affirmative.

Mr. Philips asked about the rationale for having the community center in the Park and Recreation budget since theoretically Public works has responsibilities for facilities. Mr. Hiriak responded the Park and Recreation Director decided to budget all the costs he felt necessary for the project. He was leading the project and it was in his capital plan. For historical reasons three, four, ten years from now, if someone asks that cost it is easier to trace back to the general ledger account.

Mr. Philips commented his experience is that Public Works has cognizance over design construction and that is where those costs should be. He said Park and Recreation is the end user and will be a tenant of the building and they should not necessarily be the one budgeting for it. A discussion ensued among the group offering pros and cons for having the community center in the Park and Recreation budget.

Mr. O'Brien stated the only capital item Planning is requesting for this year is \$5,000 for GIS Zoning/Subdivision update.

Mr. Philips questioned why the GIS consulting services was listed in capital as it is not "bricks and mortar" or equipment. He said it should be in IT or operational.

Mrs. Spott commented that is something to look at.

Mr. Philips questioned the title "Transportation Division" on the Munis sheet and said it would more appropriately be "Highway Division."

Mr. Waks stated this is another title change to be considered.

Mr. O'Brien discussed the various aspects of the Highway Division operating budget. Highlights include:

- 11.9% increase for the entire operating budget. The main driver for the

- increase is the equipment depreciation number of \$256,500
- Regular overtime is down 20%
- Other Personnel Services (1900) increased nearly 12% due to more employees qualifying for attendance bonus.

Mr. Kraynik noted \$75,000 was requested for snow removal and he reduced it by \$20,000 down to the 2012 rate.

Mr. Philips asked how many employees are in Public Works. Mr. O'Brien responded there are 51 employees (which includes some clerical). There are 9 positions that have been vacant and not refilled.

Mr. Philips asked how many outside vendors are used for snow removal. Mr. O'Brien responded one vendor is used for plowing roads and a couple different vendors for sidewalks. These contracts will go out to bid shortly.

Mrs. Spott asked if Mr. O'Brien had a reading of all Public works overtime. Mr. O'Brien responded he does not have a specific total number.

Mrs. Spott asked if the vacant positions are out of one particular unit or scattered throughout. Mr. O'Brien responded they are all scattered with the biggest hit on the administrative side when they lost their engineering coordinator, public works inspector, deputy director, receptionist, collection system, Matsunk, Park/Shade, and Transportation.

Highway Operating Highlights continue:

- traffic signal supplies decreased 10.6% due to a solid maintenance program and upgrades over the last few years so that equipment is staying online longer and has needed less maintenance.
- Uniform rental is down 22.2% (one employee less)
- Road maintenance is down 28.6%
- Requesting \$140,000 for snow removal materials
- Requesting \$11,500 for storm sewer materials

Mr. Philips asked how many times in an average year inlets are replaced or repaired. Mr. O'Brien responded it depends on how bad they are and where they fit in the scheme of the drainage and what is happening in a particular area.

Highlights continue:

- Curb construction material is down 37.5%

A discussion followed about the township's bridges wherein it was noted there are no county bridges or roads in Upper Merion Township.

Highlights continue:

- \$3,100 requested for repair maintenance material for funding infrastructure maintenance materials for emergencies, sinkholes, washouts.
- Traffic Engineer Consulting fees down 69%
- Street light service down 70%
- Traffic signal service down 17%
- \$9,000 requested for debris removal
- Equipment maintenance increased 7.1%
- Vehicle maintenance increased 14.6%.
- \$25,000 requested for annual resurfacing; Manager recommended \$22,500
- Education and training is down nearly 31% due to utilization of DVIT training at no charge.

Highlights of Highway Capital Budget:

- \$110,000 (Priority 9) to replace metal street poles on Town Center Road and also to check out any wooden poles that may have rotted out.
- \$50,000 (Priority 6) to purchase GPS hardware to enable real time tracking of snow vehicles to enable the completed snow routes to go directly on township website.
- \$100,000 for Covered Bridge Road over Abrams Run (Priority 3)
- Priority 1 is rehabilitation of the Allendale Road Bridge and Brian Keaveney to furnish budget number for design
- Church Road bridge project being shown for 2014 as it has not been moving fast enough
- concrete services for \$500,000 (priority 7) and funding request includes CMAQ grant 20% match for sidewalk from King Manor Route 100 train station to the township building
- traffic control devices (priority 8) to purchase battery back-up systems for Route 202 and Town Center Road traffic signals and North Gulph Road and Goddard Blvd.
- Priority 4 Red Oak Terrance to replace two 6-foot inlets and three 4-foot c-top inlets and road and curb reconstruction
- priority 5 at \$120,000 for Sharon Court construction per T&M report.
- Priority 10 for \$5,000 to replace worn floor tiles in township garage offices
- Priority 2 for \$120,000 for rehabilitation of Mancil Mill salt shed - Mr. Kraynik noted that number will come down because it is being redesigned more in the \$50,000 range; however, it is not definite as yet.

Mr. O'Brien provided Vehicle Maintenance Operating Budget highlights:

- 15.4% increase mostly due to the equipment depreciation
- equipment maintenance up 53.6% to repair equipment that is proprietary to performing vehicle and equipment maintenance so it does not get charged back

Mr. Hiriak explained the vehicle maintenance operating budget breakdown and how the entire division goes back to all the other departments and other public works divisions.

Mr. O'Brien provided Vehicle Maintenance Capital Budget highlights:

- Priority 4 for \$25,000 to pressure wash and paint for the Township Garage which has not been painted for over 20 years
- Priority 5 funding for an evaporated cooler for \$10,000. Temperatures in garage get very hot in summer - Mrs. Spott asked to look into obtaining a DVIT grant and noted this is a request that should be given favorable consideration

Mr. O'Brien provided Park and Shade Tree Operating Budget highlights:

- 9.3% increase due mainly to equipment depreciation number
- overtime account is down 15% the \$8,500 request falls within the four-year norm for that account and there is one less person involved there as well.
- Composting Operation is reduced 12.2%
- Mrs. Spott questioned the 110% increase for beautification awards
- Tree nursery stock reduced 30%

After a discussion about the purchase of goats, Mr. Kraynik indicated that purchase would be applied to farm expenses. He noted that he increased the number for farm expenses because he looked at a four year average which supports that increase. Mr. Kraynik also increased Other Professional Services from \$102,000 to \$120,000 for work at the parks and the community center property.

Mr. O'Brien discussed Park Maintenance Capital Budget Highlights:

- (Priority 1) Compost site request of \$100,000 to replace Wildcat Leaf Composter

Mr. O'Brien discussed Building Maintenance Operating Budget highlights:

- Overall increase of 2.6% due to a depreciation charge.
- overtime down 10%.
- wellness bonus is down since there was more sick time in this division and eligibility will not be as high for 2012 for payment in 2013.
- 9.4% decrease in repair maintenance supplies.
- Utilities reduced 9%; savings realized to date from the replacement of parking lot and police garage lighting with LED lights and fixtures
- 9.9 increase for 8 surveillance cameras throughout the Township Building and common areas.

Mr. O'Brien discussed the Building Maintenance Capital Budget as

follows:

- Priority 5 funding for interior lighting upgrade project phase 1 for \$30,000 to replace interior office, library and conference room lighting with LED energy efficient fixtures.
- Priority 8 for painting, carpeting and wallpaper for \$15,000, priority 8 to continue carpet replacement of worn areas within the building and some common areas.
- Priority 4 for HVAC for \$125,000 which includes \$25,000 for air conditioning system for computer room
- Priority 7 to clean HVAC duct work which is done every 3 to 5 years
- Priority 1 to Township Building wing wall brick veneer repair as recommended by T&M Associates - \$68,000. Project entails removing concrete sidewalk between the wing walls by the library exit and the cooling tower entrance to permit stabilization of wall foundation.
- Priority 2 for Building Exterior Rehabilitation - \$50,000. Project entails re-caulking the windows, doors, expansion joints and helps remediate the water leaks around the Township Manager's office and electrical room.

Mr. O'Brien discussed the Trout Run Operating Sewer Fund as follows:

- 1.4% increase in overall Trout Run Operating Budget
- Tuition reimbursement increased 33% for division personnel's continuing education expenses to keep their certifications current.
- Increase of 22% for other personnel services as more employees are eligible for wellness bonus
- 6.7% increase for funding laboratory analysis for effluent, sludge and stormwater requested by EPA and PaDEP for new NPDES discharge permit.
- Miscellaneous account went up 3,100.0% as DEP has added annual fees to treatment plants through the NPDES program a fee of \$2,500 and another in the amount of \$500. Will apply to both treatment plants.
- Sludge removal down 9.5% in anticipation of rotary press which has higher efficiency levels than current equipment
- Maintenance of plant equipment which is 20 years old
- Vehicle maintenance Trout Run's funding share increased 15.8% due to increased costs of department vehicles parts and supplies for older vehicles
- Education and training down 35%

Mr. O'Brien discussed Trout Run Capital as follows:

- Priority 1 major components for \$105,000 to plant process equipment (i.e., clarifiers, trickling filters, sludge thickeners, etc.) and other major areas. Major treatment units are 15 to 50 years old. Project allows unanticipated repairs to major treatment units and systems and assist staff in maintaining NPDES Permit requirements.

- Priority 2 for anti-corrosive measures involving painting metal surfaces of the primary and secondary clarifiers, solids contact tank and sludge thickener tank for \$250,000.
- Priority 3 for roof replacement for the Operation building; the Incinerator building and the Sludge Belt Press building for \$85,000.

Mrs. Kenney asked if the Incinerator building is being used. Mr. O'Brien replied it is used for some storage; however, the building is not really conducive to storage because of holes in the flooring. He noted the roof warranty on the sludge belt press building is up.

- Priority 4 for pump motor rebuilds and piping valve repairs for \$22,500.

Mr. O'Brien discussed Matsunk Operating budget as follows:

- 1.2% overall increase from 2012
- Tuition reimbursement down 44.4%
- Wellness bonus increased.

Mr. Philips asked why chemical expenses are down for both plants. Mr. O'Brien responded the flows have been down this year because of lack of rainfall.

- Telephone expense down 20% and are looking to reduce this expense another 20%

Mrs. Kenney asked why water increased 11%. Mr. O'Brien responded it depends on how much sludge is processed in any given year.

- Maintenance of plant decreased 20%.
- Training and education similar to what was discussed at Trout Run

Mr. O'Brien discussed Matsunk Capital Budget (as it differs from Trout Run) as follows:

- Major components repairs for \$90,000 - not as high as Trout run since equipment has held up better
- Painting metal surfaces (as discussed for Trout Run) for \$300,000.
- Roof replacement for influent pumping station and blower building for \$35,000 and window/door replacement in the Sludge Dewatering building for \$12,000.
- Snail Shell Removal Engineering Evaluation for \$30,000 for snail shells deposited within the rotating biological contactor (RBC) tanks.

- Blower for Chemical building at \$10,000. Old heater blower is energy inefficient and incurring many repairs.

Mr. O'Brien discussed the Collection Systems Operating Budget as follows:

- Overall increase of 4.2%.
- Tuition reimbursement increased 100%.
- Uniform rentals decreased 25%.
- Telephone expense increased 20%. The collection system shares facilities with Matsunk. There has been more phone utilization of the phone this year for cell phones and land lines.
- Vehicle maintenance for 2013 based on utilization of services for this year.
- Maintenance of systems decreased by 15%.
- Maintenance of pump stations - Manager recommendation reduced from \$90,000 to \$85,000.

Mr. O'Brien discussed Collection Systems Capital budget as follows:

- Priority 5 - updating the Sanitary Sewer Maps G.I.S. Database
- Sewer lines/laterals at \$400,000
- Abrams Pumping Station at \$200,000 replace valves and pumps - it was noted this is the one pumping station with the ability to pump to either Trout Run, Matsunk or both. It is critical that this system is up and operating efficiently.
- Balligomingo Pumping Station - \$25,000 for Gabion repairs
- Replacement of pumps at Ross Road at \$40,000. It was noted that while it does not see a lot of flow, what it has is difficult in that a lot of paper products find a way into the station and it takes a toll on the pumps.
- Replace worn out pump and upgrade flow rate to normal capacity at King Manor for \$40,000
- Sinkhole repairs for \$275,000

Mr. Hiriak reviewed the SRA/Administrative budget. Highlights are as follows:

- Most of the Administration salaries are split 75/25
- Managers have gone up 31%
- General Fund pays 100% of the manager's salary
- Account 1220 is down for the second year since retired employee was not replaced
- operating supplies and postage account is the account used to process the printing and mailing of sewer bills residential and commercial. Starting to see savings of the semi-annual residential billing
- Auditors fees charged to audit the fund - no change as this is by contract for the next four years

- Consulting engineer, sewer budget is certified by the consulting engineer cost goes up and down depending on the kind of analysis they have to do
- No legal fees
- Sewer Fund is building maintenance share for computers
- No engineering and architectural services
- Change in billing for Bridgeport contract; they now bill township quarterly for 84 EDU's and township bills them quarterly for 83 EDU's
- Industrial Pre-treatment expense decreasing as program changes with industrial users the revenues go up and down mainly because of laboratory expenses. No sewer rate payer money paying for this as this is all paid for by permittees.
- SRA Capital - transfer of \$2 of quarterly sewer rent allocated to build a capital maintenance fund for the treatment plants and collection system
- Principal and interest for 2013 GO bond just issued

ADJOURNMENT:

There being no further business to come before the Board, the meeting was adjourned at 10:30 p.m.

RONALD G. WAGENMANN
SECRETARY-TREASURER/
TOWNSHIP MANAGER

rap
Minutes Approved:
Minutes Entered: